



1 Outline

This course is held in **English language** and will take place on **Wednesday from 12:15 to 15:45**, starting at the 21st of September. Students are required to present a research paper in class and to submit their own research design proposal at the end of the semester. The course yields **4.5 ECTS**. All materials will be provided in Moodle.

2 Content

This course covers topics in Behavioral Economics, which integrates insights from psychology into economics. The course will cover central themes in psychology and economics, including non-standard time and risk preferences, social preferences, fairness and social norms, reference-dependent preferences, decision biases and heuristics. Towards the end of the semester, will then look at how these behavioral models affect our understanding of market interactions and how they can inform policy makers. In addition, we will review empirical and experimental evidence and discuss study designs and experimental methods.

The main goal of the course is to introduce students to some of the key concepts of behavioral economics. This involves both formal models of behavior and their empirical and experimental assessment. The course is therefore suited both for students interested in theoretical and in empirical work. An emphasis will be put on (lab and field) experiments that test and inform behavioral models and the lectures will introduce students to some of the core principles of experimental economics. All lectures are based on articles published in international scientific journals. Students will have to present an article in class as well as develop their own research proposal.

3 Evaluation

- Presentation of a paper
- Written proposal for an experimental study design (or theoretical model)

Students have to pass all parts of the evaluation in order to pass the course. The final grade will consist of the presentation (25%) and the proposal (75%).

4 Prerequisites

- Sound knowledge in Microeconomics and basic knowledge in Statistics
- Very good English language skills
- Willingness to read scientific publications in English

5 Preliminary Program

21.09.	12:15-15:45	1. lecture	Introduction & Experimental Methods
28.09.		no lecture	
05.10.		no lecture	
12.10.	12:15-15:45	2. lecture	Risk Preferences & Reference-Dependence
			Select topics for course work
19.10.	12:15-15:45	3. lecture	Time Preferences (1.5h)
		4. lecture	Autonomy & Procedural Preferences (1.5h)
26.10.	12:15-15:45	5. lecture	Social Preferences
02.11.	12:15-15:45	6. lecture	Fairness (1.5h)
		7. lecture	Social Norms (1.5h)
09.11.	12:15-15:45	8. lecture	Biases, Mistakes and Learning
16.11.	12:15-15:45	9. lecture	Beh. IO
23.11.	12:15-15:45	10. lecture	Beh. Regulation & Nudges
30.11.	12:15-15:45	11. lecture	Poverty (1.5h)
07.12.	12:15-13:45		Discussion of Essays
14.12.	12:15-13:45		Presentations
21.12.	14:00-15:30	no lecture	

6 Preliminary Reading List

All papers will be provided in Moodle. The reading list will be updated during the semester and it includes mandatory readings as well as additional suggestions.

6.1 General

- DellaVigna 2009; Thaler 2016, 2018; Köszegi 2014; Rabin 1998, 2002; Kahneman 2003 (his Nobel lecture), video: <https://www.nobelprize.org/prizes/economic-sciences/2002/kahneman/lecture/>

6.2 Experiments

- *General*: List, Sadoff, Wagner 2011; List 2011; Gneezy, Rusticchini 2000
- *Lab experiments*: Smith 1976, 1982; Falk, Heckman 2009
- *Field experiments*: Bandiera, Barankay, Rasul 2001; Harrison, List 2004; Levitt, List 2009; List 2011

6.3 Reference-Dependent Preferences

- *Prospect Theory*: Kahneman, Tversky 1979
- *Reference-Dependent Preferences*: Köszegi, Rabin 2006
- *Evidence & Misc.*: Kahneman, Knetsch, Thaler 1991; Camerer, Babcock, Loewenstein, Thaler 1997; Kahneman, Knetsch, Thaler 1990; Rabin 2000; List 2003; Fehr, Goette 2007; Farber 2008; Abeler, Falk, Goette, Huffman 2011; Pope, Schweitzer 2011

6.4 Time Preferences

- *Basic Theory and Evidence*: Laibson 1997; O'Donoghue, Rabin 1999; Dellavigna, Malmendier 2006
- *Application to Self-Control at Work*: Kaur, Kremer, Mullainathan 2015
- *Commitment Devices*: Ashraf, Karlan, Yin 2006; Augenblick, Niederle, Sprenger 2015

6.5 Autonomy and Procedural Preferences

- Bartling, Fehr, Herz 2014

6.6 Social Preferences

- *Basic Theory and Evidence*: Güth, Schmittberger, Schwarze 1982; Kahneman, Knetsch, Thaler 1986; Rabin 1993; Andreoni 1998; Fehr, Schmidt 1999; Bolton, Ockenfels 2000; Charness, Rabin 2002; Engelmann, Strobel 2004; Bénabou, Tirole 2006; Falk, Fischbacher 2006; Falk, Fehr, Fischbacher 2008
- *Fairness in Markets*: Falk, Szech 2013; Bartling, Weber, Yao 2015
- *Fairness and Redistribution*: Cappelen et al. 2007; Brock, Lange, Ozbay 2013; Cappelen et al. 2013; Almas, Cappelen, Tungodden 2020
- *Social Norms*: Bicchieri 2006; Krupka, Weber 2009, 2013

6.7 Biases, Heuristics, Non-Standard Beliefs

- *Salience and Focusing*: Bordalo, Gennaioli, Shleifer 2012, 2014; Kőszegi, Seidl 2013
- *Mental Accounting and Bracketing*: Thaler 1999; Rabin, Weiszäcker 2009
- *Biases and Heuristics*: Simon 1955; Rabin 2002; Ariely, Loewenstein, Prelec 2003

6.8 Behavioral Industrial Economics, Regulation & Nudging

- *Behavioral IO*: Heidhues, Kőszegi 2010, 2016; DellaVigna, Malmendier 2004
- *Regulation & Nudging*: Allcott, Knittel, Taubinsky 2015; Heidhues, Johnen, Kőszegi 2018; Thaler, Sunstein 2003; Camerer et al. 2003; Johnson, Goldstein 2003
- *Poverty*: Shah et al. 2012; Mani et al. 2013; Haushofer, Fehr 2014; Schildbach, Schofield, Mullainathan 2016; Haushofer, Shapiro 2016

6.9 Helpful Further Literature

There are some books that you may find useful:

Behavioral Economics:

- Dhami, S. 2016. *The Foundations of Behavioral Economic Analysis*. Oxford University Press.
- Wilkinson, N. and Klaes M. 2012. *An Introduction to Behavioral Economics*. Palgrave Macmillan.
- Angner, E. 2012. *A Course in Behavioral Economics*. Palgrave Macmillan.
- Cartwright, E. 2011. *Behavioral Economics*. Routledge.
- Camerer, C., Loewenstein, G. and Rabin, M. (eds.). 2004. *Advances in Behavioral Economics*. Princeton University Press.
- Diamond, Peter and Hannu Vartiainen (eds.). 2007. *Behavioral Economics and its Applications*, Princeton University Press.
- Camerer, C.F. 2003, *Behavioral Game Theory: experiments in strategic interaction*, Princeton University Press.

Experimental Methods:

- Schram, A. and Ule, A. (eds.). 2019. *Handbook of research methods and applications in experimental economics*. Edward Elgar Publishing.
- Kagel, J. H. and Roth, A. E. (eds.). 2016. *The handbook of experimental economics (Vol. 2)*. Princeton university press. *Experimentics*
- Moffatt, P. G. 2016. *Experimentics - Econometrics for Experimental Economics*. Palgrave Macmillan, UK.
- Fréchette, G. R. and Schotter, A. (eds.). 2015. *Handbook of experimental economic methodology*. Oxford University Press, USA.
- Friedman, D. and Cassar, A. 2004. *Economic Lab. An intensive course in experimental economics*, Routledge, New York.